

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 279 – HB 382

March 17, 2009

SUMMARY OF BILL: Defines the terms “affordable housing rental property,” “present use value,” and “owner” as it applies to property tax law. Authorizes certain properties to be assessed at its present use value for the purpose of owners offering affordable housing rental property for rent to individuals and families with incomes below 60 percent of the median incomes in their respective areas.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – Exceeds \$1,486,800

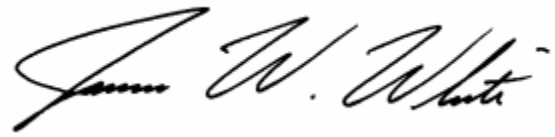
Assumptions:

- “Affordable housing rental property” means residential rental property which has received a low-income housing tax credit authorized by Section 42 of the Internal Revenue Code of 1986.
- “Owner” means the person or persons holding fee simple title, or a leasehold interest of thirty years or more, to the land and/or improvements.
- “Present use value” means the product of (1) the property’s potential gross income (less applicable utility allowances) from restricted rents and (2) the gross income multiplier of six (6.0).
- According to the Comptroller of the Treasury, and based from a sample of Section 42 housing complexes, valuation decreased approximately 28 percent for the sampled properties when utilizing the gross income multiplier method of valuation proposed in this bill.
- Statewide market value (under the current method of valuation) is estimated to exceed \$354.0 million.
- A minimum classification rate equal to 40 percent.
- Average tax rate of \$3.75 per \$100 of assessed value (0.0375).
- The decrease to local government revenue is estimated to exceed \$1,486,800 per year (\$354,000,000 current market value x 28.0% market value reduction x 40% classification rate x 0.0375 tax rate = \$1,486,800).

- Any costs associated with creating an application and any other administrative costs are estimated to be not significant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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